B5050-9-U

1987 Edition

9TH ANNUAL REPORT ON TEXAS HOTEL OPERATIONS

TEXAS LODGING INDUSTRY—1987

3 Comments From Around the State

6 The Texas Lodging Industry

7 The Texas Lodging Industry Dollar

8 Facts and Features Influencing the Texas Lodging Market

25 Technological Characteristics and Guest Services

28 Appendix—Understanding Medians & Means

30 Explanation of Terms

31 Property Analysis Worksheet

32 Leisure Time Industry Contacts

© 1987

Laventhol & Horwath

2121 San Jacinto Street
Suite 1700
Dallas, Texas 75201
(214) 754-7100

333 Clay Street
Suite 1100
Houston, Texas 77002
(713) 658-1071

$50 per copy

COMMENTS FROM AROUND THE STATE

From Austin

Trends: The Austin lodging market during the early 1980s proved to be resilient to the downturn in the Texas economy and the national recession. While supply exceeded demand, market occupancies did not drop below 70 percent. Since 1985 additions to supply have continued at a rapid pace, whereas increases in the rate of growth of demand began to decrease; thus market occupancies declined to 64 percent in 1986 and are estimated at 60 percent for year-end 1987. Approximately 1,930 rooms were completed in 1986, whereas the approximately 920 rooms opened in 1987 are the last of the boom that started in 1984.

Average room rates were $25 in 1985 and have decreased slightly to $41.45 through July 1987. The opening of several first-class hotels in the downtown area, including the Four Seasons, Radisson Plaza and Guest Quarters, may increase the average room rate once these properties have established themselves in the market and the market as a whole begins to stabilize.

Outlook: Growth in demand for hotel rooms in Austin will decline from the 13 percent annual growth rate achieved between 1982 and 1986. Also, additions to supply will also occur at a much lower level than the 19 percent annual rate experienced from 1982 to 1986. Therefore, the overall Austin hotel market occupancy should improve gradually over the next few years. The city's long-proposed convention center remains in limbo, although the city began selecting a team in early 1987 to choose a site and recommend a final configuration. The convention center will directly impact the occupancy levels of downtown hotel properties and indirectly impact the overall hotel market since it will allow Austin to compete more effectively not only with other major cities in the state, but also with established convention cities in the U.S.

Keith Gristwood
Houston

From Dallas/Fort Worth

Based on statistics gathered by L&H, market research and discussions with Dallas area hotel operators, the 1986 Dallas lodging market appears to have displayed limited increases in demand.

At the beginning of 1986 the Dallas area, exclusive of Fort Worth, had approximately 35,700 rooms. In 1986 approximately 2,900 rooms were added to the supply, representing an 8 percent increase in available rooms compared with 1985. This was almost twice the number of room additions that occurred in 1985.

Applying L&H's *Trend of Business in the Lodging Industry* statistics to these totals of available rooms indicates that the number of rooms occupied in the Dallas area in 1986 increased nearly 1 percent from 1985 levels. The increase in occupied rooms between 1984 and 1985 by contrast was only 0.6 percent. The increased competitiveness of the market was created not only by the additions to room supply, but also by new products targeting specific markets as well as low increases in demand. All of these interrelated factors made the overall Dallas hotel market a tough nut to crack.

The increasing competitiveness of the market, as well as limited inflation in the economy impacted 1986 annual average room rates in Dallas. Average room rates, at $59.94, reflect only a 1.6 percent increase from 1985 levels. This compares with a 6.6 percent increase from 1984 to 1985.

The number of additions to the market has caused a shakeout in the Dallas lodging market. Newer properties with specialized products, new furnishings and amenities and competitive rates are taking demand away from the older, less specialized competitive products, often rendering some facilities obsolete in the competitive arena. Although demand for these new lodging facilities continues to grow—with demand increases in some Dallas submarkets as high as 19 percent—the shifting of demand from older properties has lowered occupancies throughout the market area.

Additions to the market in 1987 are anticipated to be limited, allowing market demand to begin catching up with supply. This should also provide some upward movement in average rates; however, economic forces will limit the size of these increases.

The Dallas lodging market will remain competitive during the next two to three years. Newer properties are generally expected to outperform the older properties, and specialized products will perform at levels higher than many of their competitors.

The 1987 year-to-date *Trend of Business in the Lodging Industry* statistics through April reveal that the total Dallas/Fort Worth market has a 59.5 percent occupancy with a $63.59 average room rate. This compares with a 62.6 percent occupancy rate with a $62.88 average room rate for the same period in 1986.

Specific hotel projects recently opened or anticipated to open in the Dallas area during 1987 include the following:

- A 507-room Harvey Hotel near the Dallas/Fort Worth International Airport.
- A 350-room Ramada Renaissance in Richardson.
- A 295-room Bristol Suites Hotel in North Dallas.
- An 150-room Marriott Courtyard in Las Colinas.
- Two 150-room Marriott Courtyards in North Dallas.

Other projects under construction or in the final planning stages are a 350-room Doubletree Hotel in North Dallas (west of Interstate 35) and an 150-room Marriott Courtyard in Richardson.

Another sign of the increased competitiveness of the market includes affiliation and management conversions. Two recent examples include the former Registry Hotel, which became the Grand Kempinski Hotel, and the Melrose Hotel joining the Omni Hotel chain.

Several other hotels in Dallas are also

planning affiliations with national hotel chains in an attempt to improve occupancies and rates.

On the demand side of the hotel market, the biggest news is the pending J.C. Penney headquarters relocation to Plano from New York. J.C. Penney has said that approximately 1,500 executives will relocate to the Dallas area and that it will create an additional 2,000 administrative support positions. The company will temporarily lease approximately one million square feet of office space in North Dallas until the main facility in Plano is completed. Construction of the facility is planned to begin in 1989, with completion by 1992.

The general outlook for 1987 indicates stabilization. Although relatively fewer rooms are entering the market, the 1987 citywide convention bookings have declined, and commercial activity has decreased. These factors could translate into slight market occupancy declines and limited average room rates increases for 1987. The two strongest submarkets appear to be the area near the Dallas/Fort Worth airport, which includes Las Colinas, and the Stemmons/Market Center area.

Feliz Jarvis
Veronica Curran Mushro
Dallas

From El Paso

El Paso has exhibited slow growth over the last few years, indicated by trends in population and employment, and the peso devaluation has negatively affected retail tourist business. El Paso has not been as adversely affected as other border cities due to its strong manufacturing and military sectors. These sectors have provided a stabilizing force to the overall economy.

The El Paso lodging market is basically segmented into three market sectors: the Airport market, the central business district (CBD) market and the Interstate 10 (I-10) market. The airport market sector achieved an occupancy level of approximately 70 percent, a decrease from 73 percent reported in 1985, with a composite average room rate of approximately $60.50 during 1986. Rooms occupied in this sector did increase over this period, yet at a slower rate than the increase in supply. Therefore the decrease in occupancy can be partially attributed to the expansion and renovation of the 272-room Hilton Inn. This property had approximately 193 more rooms available on an average daily basis in 1986 than in 1985. The project included the addition of a restaurant, 10,000 square feet of meeting space and renovation of existing guest rooms. The Hilton exhibited the ability to attract new demand to this sector in 1986, but the significant influx of new rooms caused a decrease in overall occupancy.

The CBD market occupancy declined approximately 8 points in 1985 from 58 percent to approximately 50 percent. The average room rate was approximately $52.50 in 1986. This decline in occupancy is partially attributable to the opening of the 372-room Westin Paso del Norte, located next to the civic center. In 1986, the Westin contributed to new demand in the CBD market in the group segment. However, it negatively affected other commercial and tourist hotels in this market. Therefore, this hotel has caused an overall increase in room demand but a decrease in occupancy due to the larger increase in room supply. There are plans to revitalize the CBD area with new retail and office projects; if these were to occur, room demand in the CBD market could be enhanced due to an increase in commercial activity.

There is no data available regarding the I-10 market in El Paso for 1986.

Development plans for new hotels in El Paso are in the preliminary stages for all projects. Additions to supply will probably remain on hold until overall market occupancies improve in El Paso. Market occupancy is expected to decline in 1987 as demand continues to absorb supply added in 1986; market occupancy is expected to recover in one to two years as a result of the stable growth anticipated in the manufacturing and military sectors.

Steven Johnson
Dallas

From Houston

Trends: The hotel industry in Houston experienced its worst year during 1986. Average citywide occupancy registered a dismal 46.1 percent, and average daily room rates tumbled almost $2 to $52. During 1986 and the first half of 1987 seven hotels in the city closed, deleting 2,267 rooms from the competitive supply. Four properties with 682 rooms opened, resulting in a citywide inventory of approximately 32,350 rooms. Currently only one hotel is under construction in the entire metropolitan area: a 250-room hotel located in the South Shore Harbor planned community, developed on Clearlake by American National Insurance Co.

The area appears to be experiencing a turnaround in occupancies during 1987. Through the first seven months of the year, every month except for January showed an increase compared with the previous year's occupancy. The city has finally experienced an increase in occupied room nights, and demand has risen approximately 5 percent compared with the same period during 1986. Unfortunately, the hotel community continues to heavily discount room rates. Average rates are off $1.75 from last year's level (year-to-date through July) to approximately $50.25. The current intensity of discounting is not expected to end anytime in the near future. Room rates will continue to slip through the remainder of the year and into the first quarter of 1988.

Outlook: The future appears promising for hotels in Houston. The recently opened George R. Brown Convention Center is expected to host 25 to 30 major citywide conventions each year. The Nasa/Clearlake area continues to prosper with the Johnson Space Center (JSC). A $2.1 billion space station contract will be awarded in November 1987, which will create additional jobs in the area. Walt Disney Imagineering has been selected to create and develop the new visitors center at JSC. This project is estimated to cost $60 million and attract as many as three million visitors annually. Highway construction continues in the city and is improving mobility throughout the metropolitan area. Completion of the Hardy Toll Road and Beltway 8 will greatly enhance the accessibility of Intercontinental Airport with downtown and the west side of the city. The oil industry is beginning to recover and will continue to show improvement at a steady pace. However, the area will never see the boom days of the early 1980s again. The key to Houston's long-term economic development is diversification.

The oversupply of hotels in Houston has created some immediate opportunities for those operator/owners with a flair for creativity and financial staying power. This next wave of hotel activity in Hous-

ton can be explained by the "Re Theory" (reposition, reconcept, rename, rehab, renovate and refinance). There are definitely opportunities throughout the city to improve the market position of some existing properties. This benefits the entire market by upgrading the existing supply without increasing the number of rooms in the city.

Hotel development opportunities for the medium to long term are limited to special products in special niches of the market. Development opportunities will present themselves for the all-suite property, courtyard-style commercial property, the limited-service economy property and the large, full-service convention-oriented property. Since the Houston market has an oversupply of luxury and mid-market properties, little opportunity for these products exists for the near future.

Demand for hotel accommodations in Houston should increase at a rate of 3 to 5 percent for the next five years. As occupancy continues to improve this year and into 1988, a stabilization in average room rate should occur with some modest gains by mid-1988. After rate stabilization, we expect average rate increases of 3 to 5 percent during the next few years.

Terry Richard
Houston

From San Antonio

For the first time in more than five years the overall demand for lodging accommodations in the San Antonio metropolitan area decreased during 1986. The decrease of approximately 1.5 percent is ascribed to the overall decline in the state's oil-based economy. While demand fell slightly, average daily rate remained at approximately $45.75 per occupied room. Optimism spurred by the expansion of the Henry B. Gonzalez Convention Center and a growing office market resulted in an additional 874 new hotel rooms in 1986, an increase of nearly 6 percent. New construction has taken form in virtually all hotel/motel product types from economy to limited-service to luxury.

From a demand standpoint, the outlook for the San Antonio lodging marketing appears strong. Factors supporting this statement include a newly renovated and expanded convention center, the construction of the 550,000-square-foot Rivercenter retail-hotel complex and the $100 million Sea World of Texas. Several new hotel projects, including the 1,000-room Marriott Rivercenter, are underway. Additional plans for hotel development are expected to be announced in the near future.

Development opportunities lie in the city's west, north and central business districts. The Sea World project, the Rivercenter development, the newly renovated and expanded convention center, in addition to several planned multimillion-dollar office complexes, all provide the demand-induced incentives today's prudent hotel developers require.

In addition to the more typical urban hotel development patterns, an interest in destination resort-oriented properties has recently emerged. While only one such project has been announced to date, further expansion in this market is anticipated.

Lamont Meek
Houston

From Waco

Based on market research and discussions with Waco hotel operators, it is estimated that the Waco hotel market has experienced an approximate 2.5 percent decline in total rooms demanded between 1985 and 1986. The 1986 year-end market occupancy was estimated to be approximately 61 percent, a decrease from the estimated 64 percent market occupancy in 1985.

The estimated 1986 year-end market average room rate was $44.75, 4 percent increase higher than the 1985 rate. This decline in occupancy is due to the oil-related business depression, which has affected most areas in the state, as well as the closings of both the Levi Strauss distribution center and the General Tire and Rubber Company.

Significant positive factors impacting the Waco economy will include:

- The eventual development of the Brazos River Commons, a planned mixed-use development along the Brazos River proximate to the Waco Convention Center and Hilton Hotel,
- Baylor University, which enjoys a steady enrollment and active alumni.
- The expansion of several area companies including Central Texas Corrugated, Electrospace Systems, Enhanced Glass, Health EDCO, Inc., Packless Industries and Weyerhauser Company.
- The announcement of several new companies relocating to Waco including Seville Flexpack, Colorite Plastics and Specialties, Univex International, Inc. and the Army Air Force Exchange Service.
- The recent expansion of the Waco Convention Center.

Based on these factors, we estimate the Waco hotel market will stabilize in 1987 and display slow, steady growth as the Texas economy recovers. The majority of hotel activity has been in the form of sale and acquisitions of hotel properties including the Hilton Inn, Sheraton and the former Texian Inn, which is now a Lexington Hotel.

Veronica Curran Mushro
Dallas

TEXAS LODGING INDUSTRY

by Eileen G. Eskin
Laventhol and Horwath
Research Division

Texas currently enjoys the reputation of providing top-notch service in the hospitality industry. With unique accommodations such as Texan-style ranches, first-class all-suite properties and exceptional convention centers, certain areas have continued to attract business, and this has strengthened the state's economy, which still continues to feel the effects of the oil recession.

Texas hoteliers are still attempting to solve problems facing the industry, such as overbuilding. Overbuilding seems to have hit Texas harder than any other state in the country. Texas experienced an occupancy rate of 51.4 percent in comparison with the U.S. occupancy rate of 64.9 percent. The lodging industry currently defines the break-even occupancy as 60 percent, but this is expected in increase to 70 percent as operating and capital expenses rise due to the recent elimination of the investment tax credit.

Consequently, the Texas lodging industry will have to respond quickly to the building boom problem. Segmentation has proven to be one way of honing in on particular markets to increase occupancies. All-suite properties, the second fastest-growing segment of the lodging industry, have demonstrated increasing popularity through their above-average occupancies. In this year's sample, 20 out of 85 properties classified themselves as all-suite properties. These 20 properties enjoyed some of the highest occupancy rates of the sample, with occupancies exceeding 60 percent. This can be attributed to the fact that 51.2 percent of the market was comprised of business travelers, a target market for all-suite hotels. Clearly, there is a need for market segmentation in Texas to accommodate these business travelers.

Comparative data

Included in this report is a summary of 1987 year-to-date occupancies and average room rates for the Texas lodging industry, which is taken from four of L&H's monthly reports, *Trends of Business in the Lodging Industry*, for Dallas, Fort Worth, San Antonio and Houston. This information, shown in Exhibit 19, represents a different sample of respondents from that used in other exhibits. Unlike most of the data in this report, these figures are averages, as opposed to medians. Thus, the individual Metropolitan Statistical Area (MSA) figures presented in this part of the report should not be compared to either state or U.S. figures.

It is interesting to note that, of the four major areas, San Antonio had the highest occupancy rate at 61.8 percent and the lowest average daily rate at $45.78. A weak demand with an overabundant supply would tend to push room rates down, since hotels compete for the limited business. But, in this case, occupancy has remained above the break-even rate while room rates have remained low. This indicates that the demand in San Antonio has increased faster than supply. While San Antonio, like the rest of the state, has been hit hard by the decline in the oil economy, it has managed to maintain a strong demand.

Comparing Texas with the entire U.S.

The Texas lodging industry can be compared with that of the U.S. in general using information contained in L&H's database, *Inventory of the Lodging Industry (ILI)*. *ILI* lists all properties in the country, detailing information such as rack rate, number of rooms and number of properties per chain. it can breakdown information on facilities by size and location, among other criteria.

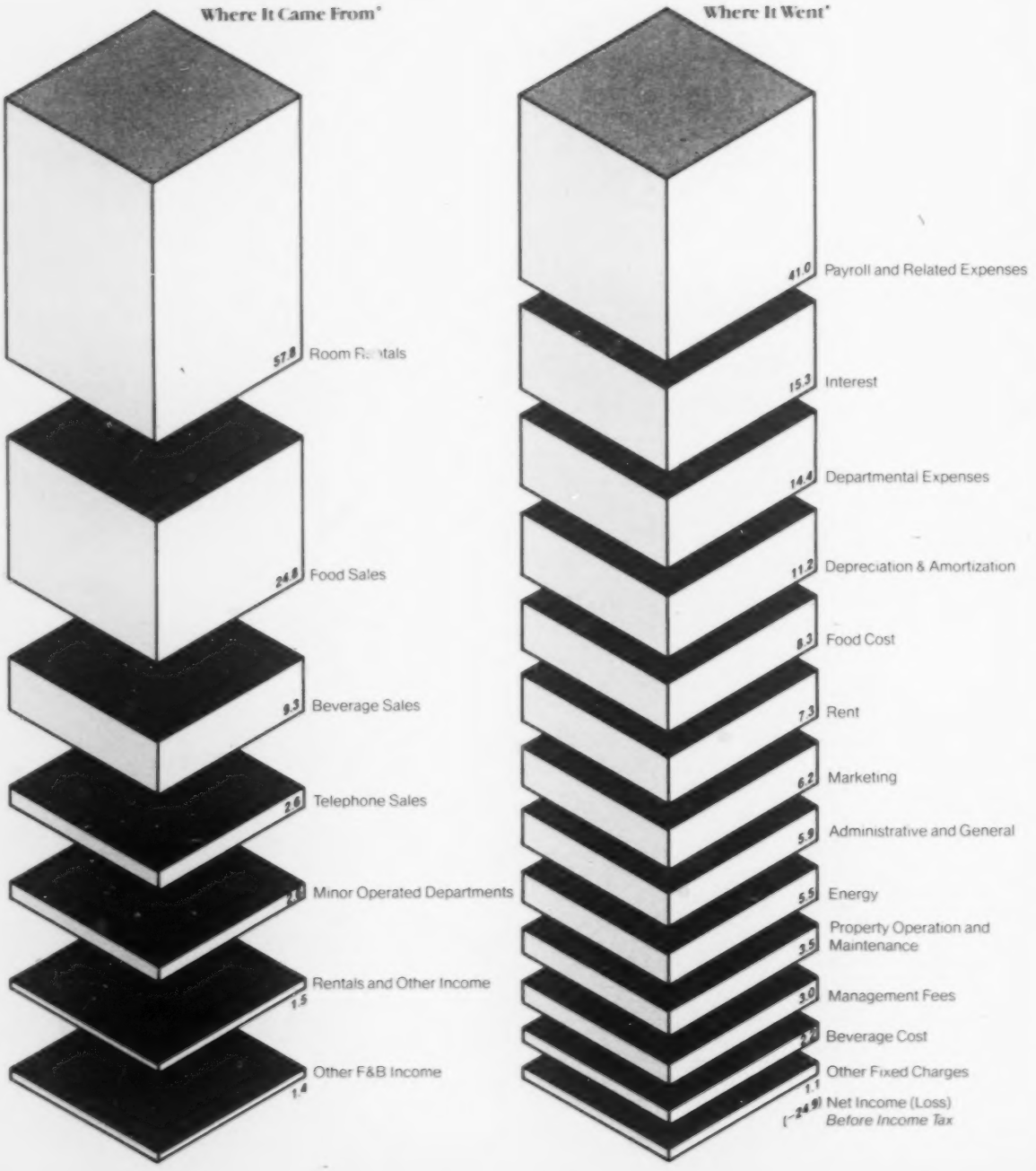
The profile of hotels in Texas virtually mirrors that of the U.S. in general. For both groups, more than 70 percent of all properties have less than 150 rooms. Highway locations have the most properties (41.9 percent), followed by suburban locations (29.6 percent). And Best Western and Holiday Inn are the largest chains, both nationally and in Texas. Some significant differences surface, however. In the U.S., the percentage of independent properties to chains is about even; for Texas the percentage of independents is 35.8 and the percentage of chains is 64.2. This may reflect the fact that the decline in the oil economy has pressured many independents into becoming affiliated with chains.

Data collection and analysis techniques

This is Laventhol and Horwath's ninth annual in-depth analysis of the Texas lodging industry. The information in this

Chart 4

The Texas Lodging Industry Dollar 1986



*Based on the weighted mean

series of reports should help the reader understand the operating characteristics of the industry for the preceding year. It can also be useful in analyzing trends in revenue and expenses over successive time periods. In addition, this information is useful as a guide for comparing the operating performance of individual establishments with that of comparable properties.

The information contained in this study was derived from contributors to the 1987 editions of L&H's *U.S. Lodging Industry* and *All-Suite Lodging Industry*. After careful review for reasonableness and accuracy, 85 questionnaires were used in compiling the data for this study.

In our continuing efforts to upgrade the quality and usefulness of this report, some exhibits have been modified to help clarify the data. When comparing this year's report to previous years, the reader should be aware of these changes by carefully comparing exhibit titles, breakdown headings and footnotes.

The figures in the report were computed based on ratios to total sales, ratios to room sales or amounts per available room. Most of the data is based on medians; therefore, columns of data do not add to the totals shown. Each line item has been analyzed separately, and the medians are based on the information submitted for that line item only since all establishments did not report data for each line. For a more detailed explanation, see the Appendix, Understanding Medians (p. 28).

Since this report is based on the responses of a finite group of Texas lodging properties, the reader should not use the results as industry standards, nor try to conform to the ratios and dollar amounts shown in the exhibits. This report should serve only as a guideline for comparative purposes.

Laventhol & Horwath would like to take this opportunity to thank the lodging chains and properties that participated in this year's study. We are looking forward to continued support from the properties for which this report is intended to benefit.

FACTS AND FEATURES INFLUENCING THE TEXAS LODGING MARKET

Special features:

- The Dallas/Fort Worth Airport is the third busiest airport in the world.
- Conventions in the Dallas/Fort Worth area are less costly since there is a high availability of labor.
- Ranches became a popular site for meetings due to their low cost and western style.
- The 110,000-square-foot Arlington Convention Center opened this year.
- Irving went through a "building boom" of offices, hotels, and residencies.
- Approximately 50,000 people visited Irving to attend meetings in 1986, compared with 20,000 in 1985.
- Houston developed a reputation of being overbuilt. Ironically more hotels were still constructed, as each company tried to surpass its competition.
- The oil recession takes its toll on Houston.

State facts:

- Total number of rooms available was 2,709,662.
- Total number of hotel employees was 86,700.

Places and events:

- West End Market Place.
- Ranches (Circle R, South Fork, Ranch Land).
- Sundance Square.
- Wild West Days—Butch Cassidy.
- Stockyards District.
- Water World.
- Big Bend National Park.
- The Alamo.
- Farm Aid II in Austin.
- Houston Livestock Show and Rodeo (one of the top 50 U.S. fairs of 1986).
- South Texas State Fair (also one of the top 50).

Conventions:

- International Computer Telecommunications Conference (Dallas).
- National Shooting Sports Foundation Convention (Houston).
- National Cable Television Association Convention (Dallas).

Fortune 500 companies

In 1986 the number of companies that made the Fortune 500 list was 30 compared with only 25 in 1985. The list below indicates the cities in which corporate headquarters of these companies are located.

Cities	Number of Fortune 500 Companies
Dallas	13
Houston	12
San Antonio	2
Austin	1
Diboll	1
The Woodlands	1

Exhibit 1
1986 Profile of Contributors

Rates	
Under $40.00	25.4%
$40.00–$59.99	38.1
$60.00 and Above	36.5
Occupancy	
Less than 45.0	33.3%
45.0–59.9%	38.1
60.0% and Above	28.6
Size	
Under 150 Rooms	31.7%
150–299 Rooms	42.9
300 Rooms and Above	25.4
Affiliation	
Chain Affiliated*	64.7%
Independent	23.5
Not Reported	11.8
Location	
Center City	27.1%
Suburban	30.5
Highway	24.7
All Other**	16.5
Not Reported	1.2
Profit/Loss	
Profit	14.1%
Loss	50.6
Not Reported	35.3

*Includes chain-managed, chain-owned, chain-franchised and chain-leased properties.
**Includes Airport and Resort locations.

Exhibit 2
Highlights

- Statewide occupancy was 51.4%.
- The average daily rate per occupied room was $52.25.
- Total revenue on a per available room basis was $14,044.
- Net room revenue as a ratio to total sales was 69.3%.

Exhibit 3
Market Data*

	All Establishments	Size of Property		
		Under 150 Rooms	150–299 Rooms	300 Rooms and Above
Source of Business				
Foreign	10.2%	13.1%	7.1%	7.0%
Domestic	89.8	86.9	92.9	93.0
Total	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	40.2%	48.5%	26.6%	41.8%
Composition of Market				
Leisure	20.5%	34.5%	16.8%	9.6%
Business/Government	51.2	41.7	65.0	45.9
Conference Participants	17.3	10.9	10.3	36.2
Other	11.0	12.9	7.9	8.3
Total	100.0%	100.0%	100.0%	100.0%
Percentage of Guests with Advanced Reservations	61.4%	50.9%	58.0%	79.3%
Advanced Reservation Mix				
Direct Inquiry	39.6%	57.8%	34.4%	31.8%
Own Reservation Systems	22.0	15.3	24.9	20.9
Independent Reservation Systems	7.6	7.3	4.1	6.8
Travel Agent	11.3	9.1	11.6	13.0
Tour Operators	2.4	3.5	3.9	0.8
Hotel Representative	16.5	5.2	21.5	26.7
Transportation Company	0.6	1.8	0.0	0.0
Total	100.0%	100.0%	100.0%	100.0%

*All figures are means.

Exhibit 4
Distribution of Sales*

	All Establishments	Size of Property		
		Under 150 Rooms	150–299 Rooms	300 Rooms and Above
Sales Distribution				
Cash Sales	32.6%	44.4%	28.9%	19.4%
Credit Card Sales	51.9	42.4	58.5	57.2
All Other Credit Sales	15.5	13.2	12.6	23.4
Total	100.0%	100.0%	100.0%	100.0%
Percentage of Cash Sales from Travel Agents and Tour Operators	14.4%	**	**	**
American Express	50.5%	41.4%	48.9%	61.9%
Visa	22.7	28.5	21.5	17.1
Master Card	18.7	22.4	20.6	13.2
Diners' Club	4.8	3.6	5.9	4.6
Carte Blanche	1.8	2.5	1.5	1.7
Discover	1.1	1.6	0.9	0.6
Other	0.4	0.0	0.7	0.9
Total	100.0%	100.0%	100.0%	100.0%

*All figures are means.
**Insufficient response.

Exhibit 5

Occupancy and Average Daily Rate—By Selected Criteria*

	Occupancy	Number of Guests Per Occupied Room	Average Daily Rate
All Establishments	51.4%	1.60	$52.25
Size			
Under 150 Rooms	50.7%	2.00	$35.92
150-299 Rooms	54.3	1.55	48.66
300 Rooms and Above	48.2	1.65	64.95
Rate			
Under $40.00	49.9%	2.16	$32.09
$40.00-$59.99	50.4	1.55	48.24
$60.00 and Above	54.5	1.83	65.58
Occupancy			
Less than 45.0%	36.9%	1.67	$47.20
45.0-59.9%	53.1	1.56	52.86
60.0% and Above	70.1	2.09	51.65

*All figures are medians.

Exhibit 6

Sales Per Guest Day*

	All Establishments
Rooms	$43.87
Food and Beverage	33.07
Telephone	2.32
Minor Departments	1.47
Rentals and Other Income	0.82
Total	$84.47

*All figures are medians and do not necessarily add to totals shown.

Exhibit 7
Rooms Department
Median Ratio to Room Sales

	All Establishments	Size of Property			Average Daily Rate		
		Under 150 Rooms	150–299 Rooms	300 Rooms and Above	Under $40.00	$40.00–$59.99	$60.00 and Above
Revenue							
Room Sales	100.0%	100.0%	100.0%	100.7%	100.0%	100.7%	100.0%
Allowances	0.9	••	1.0	0.9	••	0.9	••
Net Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses							
Payroll and Related	17.4%	17.2%	16.1%	19.0%	13.7%	16.3%	19.2%
Travel Agent Commissions and Reservation Expenses	2.0	0.7	1.9	2.1	••	1.6	2.3
Contract Cleaning, Dry Cleaning, Linen, and Laundry	2.2	0.7	2.0	3.2	••	2.0	3.3
Operating Supplies	2.3	3.7	2.0	2.3	3.5	1.4	2.4
All Other Expenses	2.8	2.1	4.0	1.9	1.4	3.3	2.2
Total Departmental Expenses	27.0	25.2	27.1	27.1	21.8	26.2	28.1
Net Departmental Income	73.0%	74.8%	72.9%	72.9%	78.2%	73.8%	71.9%

••Insufficient Response.

Exhibit 8
Food and Beverage Operators
Ratios of Total Food and Beverage Sales*

	All Establishments	Average Daily Rate		
		Under $40.00	$40.00–$59.99	$60.00 and Above
Sales				
Food	75.1%	**	75.8%	74.0%
Beverage	24.9	**	24.2	26.0
Total	100.0%	**	100.0%	100.0%
Cost of Sales				
Food	34.0%	**	34.0%	34.0%
Beverage	23.3	**	22.5	23.5
Total	31.6	**	31.4	31.6
Gross Profit	68.4	**	68.6	68.4
Public Room Sales	2.6	**	3.4	2.1
Other Income	1.7	**	**	1.8
Total	72.8%	**	73.6	72.2
Departmental Expenses				
Payroll and Related Expenses	50.7%	**	51.1%	46.5%
China, Glassware, Silver and Linen	1.7	**	1.3	1.9
Contract Cleaning	0.4	**	**	**
Laundry and Dry Cleaning	1.4	**	**	1.6
Operating Supplies	2.4	**	1.9	2.7
Uniforms	0.4	**	**	0.7
All Other Operating Expenses	8.2	**	8.7	7.4
Total	64.1%	**	62.7	66.7
Departmental Income	6.4%	**	13.4%	6.4%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient Response.

Exhibit 9
Median Ratio to Telephone Department Expenses

	All Establishments
Sales	
Cost of Calls	63.6%
Equipment Rental	22.8
Total Cost of Sales	84.0
Payroll and Related Expenses	25.1
All Other Expenses	4.3
Total Departmental Expenses	104.3
Net Department Income (Loss)	(1.7)%

Exhibit 10

Minor Operated Departments and Other Income
Amounts Per Available Room and Ratio to Total Sales*

	All Establishments	Size of Property: Under 150 Rooms	150–299 Rooms	300 Rooms and Above
Amounts per Available Room				
Telephone				
Sales	$416	$264	$418	$511
Cost of Sales	247	**	241	278
Equipment Rental	92	**	89	**
Total	336	267	324	369
Payroll and Related Expenses	151	**	**	171
All Other Expenses	14	**	17	9
Total Dept. Expenses	406	299	392	532
Net Department Income (Loss)	($19)	($11)	$4	($39)
Minor Departments				
Sales	$325	**	$508	**
Cost of Sales	203	**	482	**
Payroll and Related Expenses	889	**	**	**
Other Expenses	291	**	**	**
Total Dept. Costs and Expenses	243	**	**	**
Net Department Income (Loss)	($1)	**	($1)	**
Rentals and Other Income				
Space Rentals	$54	**	$298	$20
Concessions	**	**	**	**
Commissions	36	**	**	**
Other	63	56	69	80
Total Departmental Income	$179	$82	$216	$198
Ratio to Total Sales				
Telephone				
Sales	2.8%	2.6%	2.8%	2.8%
Cost of Sales	2.3	2.5	2.5	2.2
Payroll and Related Expenses	0.7	**	**	0.9
Net Income (Loss)	(0.1)%	(0.1)%	0.0%	(0.1)%
Minor Departments				
Sales	1.9%	**	4.5%	**
Cost of Sales	0.9	**	3.8	**
Payroll and Related Expenses	2.3	**	**	**
Net Income (Loss)	0.3%	**	2.4%	**
Rentals and Other Income				
Space Rentals	0.3%	**	1.9%	0.1%
Concessions	0.2	**	**	**
Commissions	0.3	**	**	**
Other	0.6	0.8	0.6	0.4
Net Income	1.1%	1.1%	1.4%	0.8%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient Response.

Exhibit 11
Analysis of Administrative and General Expenses Ratio to Total Sales*

		Size of Property		
	All Establishments	Under 150 Rooms	150–299 Rooms	300 Rooms and Above
Payroll and Related Expenses	5.9%	5.4%	6.1%	4.7%
Bad Debts	0.2	0.1	0.1	0.3
Credit Card Commissions	1.7	1.2	1.8	1.7
Data Processing Services	0.2	**	**	0.1
Insurance (General)	1.4	1.5	**	1.4
Licenses and Dues	0.1	0.2	0.1	0.1
Operating Supplies	0.5	0.5	0.5	0.4
Professional Fees	0.4	0.3	0.5	0.3
Security	0.6	**	**	0.2
Travel and Entertainment	0.2	0.2	0.1	0.1
All Other Expenses	1.4	1.8	3.1	0.9
Total	12.3%	11.8%	12.5%	12.5%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient Response.

Exhibit 12
How the Marketing Dollar Was Allocated*

		Location of Property				Affiliation	
	All Establishments	Center City	Suburban	Highway	All Other**	Chain Affiliated***	Independent
Payroll and Related Expenses	26.4%	35.6%	30.1%	18.5%	15.6%	26.8%	20.6%
Sales Expenses	7.8	15.0	8.4	1.6	3.6	9.4	6.8
Advertising Expenses							
Print	12.8	15.5	12.0	8.3	21.3	10.0	26.3
Radio and TV	2.3	2.8	1.8	1.0	5.8	2.5	2.5
Outdoor	12.8	1.2	7.1	28.2	13.7	12.4	19.6
Other	14.9	9.9	4.4	29.2	13.9	9.1	4.2
Merchandising	1.5	1.6	1.6	0.1	3.4	1.9	0.8
Public Relations	2.6	4.8	1.6	1.8	1.7	2.9	3.7
Franchise Fees	7.4	2.8	19.3	1.9	9.5	11.3	2.6
All other Expenses	11.5	10.8	13.7	9.4	11.5	13.7	12.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*All figures are means.
**Includes Airport and Resort locations.
***Includes chain-managed, chain-owned, chain-franchised and chain-leased properties.

Exhibit 13
Energy Costs*

	Energy Department						Property, Operations and Maintenance		
	Fuel	Electricity	Water	Steam	Energy Credit	Total Energy	Payroll	Other Expenses	Total Property Operations and Maintenance
All Establishments	$113	$621	$ 84	**	**	$ 826	$385	$463	$ 845
Location									
Center City	$165	$803	$ 74	**	**	$1,051	$599	$526	$1,201
Suburban	118	579	116	**	**	791	374	494	910
Highway	**	**	**	**	**	**	**	**	**
All Other***	70	458	75	**	**	656	289	411	778
Size									
Under 150 Rooms	$115	$422	$ 78	**	**	$ 521	$225	$353	$ 592
150–299 Rooms	83	537	81	**	**	818	389	433	832
300 Rooms and Above	169	852	117	**	**	1,051	623	715	1,434
Rate									
Under $40.00	**	$321	$ 46	**	**	$ 410	$199	$308	$ 520
$40.00–$59.99	$106	546	97	**	**	814	383	456	830
$60.00 and Above	166	828	90	**	**	1,046	579	715	1,170

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient Response.
***Includes Airport and Resort locations.

Exhibit 14
Fixed Costs*

	Rent	Property Taxes	Property Insurance	Interest	Depreciation	Leased Equipment	Other	Total
All Establishments	$611	$443	$211	$3,401	$2,089	$227	$ 95	$5,617
Location								
Center City	**	$564	$255	**	**	**	**	$5,905
Suburban	**	466	$185	$3,218	$2,088	**	**	6,579
Highway	**	**	**	**	**	**	**	**
All Other†	**	**	**	**	**	**	**	4,269
Size								
Under 150 Rooms	**	$285	**	$1,672	$1,718	**	**	$3,785
150–299 Rooms	**	443	$235	2,662	1,852	**	$145	5,996
300 Rooms and Above	**	794	177	**	2,616	**	**	6,884
Rate								
Under $40.00	**	$267	**	**	$1,366	**	**	$3,628
$40.00–$59.99	**	443	$211	$2,467	1,941	**	**	5,179
$60.00 and Above	**	794	308	8,750	4,300	**	$153	8,693
Affiliation								
Chain Affiliated***	**	$445	$202	$3,585	$2,088	$215	$ 77	$6,176
Independent	**	433	**	**	2,275	**	**	4,538
Occupancy								
Less than 45.0%	**	$336	$162	$2,662	$1,581	**	**	$3,993
45.0–59.9%	**	533	217	3,585	2,424	**	$212	6,041
60.0% and Above	**	**	**	**	**	**	**	6,189

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient Response.
***Includes chain-managed, chain-owned, chain-franchised and chain-leased properties.
†Includes Airport and Resort locations.

Exhibit 15

Median Amounts Per Available Room
Location and Affiliation†

	All Establishments	Location of Property				Affiliation	
		Center City	Suburban	Highway	All Other*	Chain Affiliated***	Independent
Annual Occupancy	51.4%	51.9%	54.5%	50.7%	51.0%	54.5%	50.6%
Annual Room Rate	$52.25	$65.05	$56.48	$48.49	$43.31	$56.48	$48.35
Revenues							
Rooms	$ 9,404	$10,150	$10,377	$10,153	$7,353	$10,185	$ 9,404
Food	3,902	4,343	3,272	**	**	3,512	**
Beverage	1,441	1,263	1,096	**	**	1,456	**
Other Food and Beverage	168	149	225	**	**	201	**
Telephone	416	530	447	**	300	506	297
Minor-Operated	325	**	**	**	**	266	**
Rentals and Other Income	179	225	216	**	49	201	217
Total	$14,044	$15,981	$16,230	$14,212	$9,032	$15,849	$11,986
Department Expenses							
Rooms	$ 2,620	$ 3,493	$ 2,669	**	$2,114	$ 3,155	$ 2,387
Food and Beverage	4,168	8,082	3,079	**	**	4,470	**
Telephone	406	683	396	**	293	466	**
Minor-Operated	243	325	**	**	**	164	**
Total	$ 5,751	$ 8,297	$ 5,728	**	$3,507	$ 5,780	$ 5,116
Department Profit							
Rooms	$ 6,813	$ 7,869	$ 7,836	**	$4,396	$ 6,915	$ 5,099
Food and Beverage	554	295	788	**	**	563	**
Telephone	(19)	(55)	31	**	(26)	15	(34)
Minor-Operated	(1)	(8)	**	**	**	24	**
Rentals and Other Income	179	225	216	**	49	201	217
Total	$ 7,463	$ 8,449	$ 9,408	**	$4,675	$ 8,104	$ 5,171
Undistributed Operating Expenses							
Administrative and General							
Payroll and Related	$ 723	$ 803	$ 326	**	$ 147	$ 723	$ 849
Other	929	1,550	567	**	396	928	848
Total	$ 1,471	$ 2,335	$ 1,180	**	$ 430	$ 1,432	$ 1,506
Marketing							
Payroll and Related	$ 471	$ 1,241	$ 505	**	$ 629	$ 495	**
Other	561	1,226	794	**	801	781	506
Total	$ 1,042	$ 2,322	$ 1,417	**	$1,276	$ 1,236	$ 555
Energy Costs	$ 826	$ 1,051	$ 791	**	$ 656	$ 949	$ 701
Property Operations and Maintenance	$ 845	$ 1,201	$ 910	**	$ 778	$ 1,017	$ 648
Total Undistributed Operating Expenses	$ 4,591	$ 6,542	$ 4,842	**	$3,171	$ 5,010	$ 4,714
Income Before Management Fees	2,723	3,083	4,332	**	1,827	2,382	3,058
Management Fees (Base and Incentive)	490	**	**	**	328	673	**
Income Before Fixed Charges	$ 2,592	$ 1,658	$ 5,169	**	$1,684	$ 1,827	$ 2,714
Fixed Charges	$ 5,617	$ 5,905	$ 6,579	**	$4,269	$ 6,176	$ 4,538
Income Before Income Taxes	($ 2,463)	($ 3,984)	($ 1,979)	**	($2,437)	($ 2,725)	($ 1,824)
Reserve for Capital Replacement	**	**	**	**	**	**	**

*Includes Airport and Resort locations.
**Insufficient Response.
***Includes chain-managed, chain-owned, chain-franchised and chain-leased properties.
†All amounts are medians and do not necessarily add to the totals shown.

Exhibit 16

Median Amounts Per Available Room*

Occupancy, Rate, and Size

	Occupancy		
	Less than 45.0%	45.0–59.9%	60.0% and Above
Annual Occupancy	36.9%	53.1%	70.1%
Annual Room Rate	$47.20	$52.86	$51.65
Revenue			
Rooms	$7,299	$10,158	$13,869
Food	3,605	3,123	**
Beverage	1,441	1,300	**
Other Food and Beverage	233	161	**
Telephone	282	420	539
Minor-Operated	338	1,611	**
Rentals and Other Income	98	174	263
Total	$9,084	$14,987	$16,479
Department Expenses			
Rooms	$1,857	$ 2,880	$ 4,138
Food and Beverage	4,628	3,480	**
Telephone	371	421	455
Minor-Operated	158	336	**
Total	$4,409	$ 6,184	$ 5,346
Department Profit			
Rooms	$4,473	$ 7,382	$11,435
Food and Beverage	(117)	578	**
Telephone	(67)	(8)	140
Minor-Operated	3	45	**
Rentals and Other Income	98	174	263
Total	$4,293	$ 8,479	$12,301
Undistributed Operating Expenses			
Administrative and General			
Payroll and Related	$ 763	$ 734	$ 480
Other	643	943	928
Total	$1,393	$ 1,648	$ 1,424
Marketing			
Payroll and Related	$ 494	$ 435	**
Other	493	739	**
Total	$ 671	$ 1,183	$ 1,109
Energy Costs	$ 683	$ 897	$ 932
Property Operations and Maintenance	$ 800	$ 835	$ 867
Total Undistributed Operating Expenses	$3,792	$ 4,729	$ 4,468
Income Before Management Fees	1,104	3,188	7,991
Management Fees (Base and Incentive)	222	576	**
Income Before Fixed Charges	$ 733	$ 2,823	$ 7,164
Fixed Charges	$3,993	$ 6,041	$ 6,189
Income Before Income Taxes	($4,056)	($ 1,983)	($ 521)
Reserve for Capital Replacement	**	**	**

*All amounts are medians and do not necessarily add to the totals shown.
**Insufficient Response.

Average Daily Rate			Size of Property		
Under $40.00	$40.00–$59.99	$60.00 and Above	Under 150 Rooms	150–299 Rooms	300 Rooms and Above
49.9%	50.4%	54.5%	50.7%	54.3%	48.2%
$32.09	$48.24	$65.58	$35.92	$48.66	$64.95
$5,825	$ 9,196	$13,195	$7,610	$ 9,902	$10,927
••	3,240	4,487	••	2,121	4,419
••	925	1,633	••	925	1,618
••	193	209	••	••	367
241	364	665	264	418	511
••	1,208	387	••	508	••
98	168	258	82	216	198
$6,590	$13,884	$18,906	$9,423	$14,038	$18,681
$1,124	$ 2,303	$ 3,890	$1,993	$ 2,522	$ 3,304
••	3,921	5,499	••	3,675	7,283
194	372	600	299	392	532
••	289	260	••	••	••
$1,381	$ 5,780	$ 7,751	$4,271	$ 5,222	$10,686
$3,622	$ 6,860	$10,218	$4,661	$ 6,721	$ 7,486
••	573	554	••	295	598
(25)	(25)	(2)	(11)	4	(39)
••	52	(23)	••	••	••
98	168	258	82	216	198
$4,160	$ 8,104	$11,581	$4,609	$ 8,231	$ 8,623
••	$ 221	$ 702	••	$ 195	$ 644
300	458	1,583	369	455	1,560
$ 304	$ 712	$ 1,827	$ 440	$ 838	$ 1,867
$ 503	$ 701	$ 1,254	$ 562	$ 646	$ 1,047
474	819	1,387	539	819	1,109
$ 940	$ 1,589	$ 2,239	$ 998	$ 1,428	$ 2,428
$ 410	$ 814	$ 1,046	$ 521	$ 818	$ 1,051
$ 520	$ 830	$ 1,170	$ 592	$ 832	$ 1,434
$2,066	$ 4,037	$ 6,019	$2,355	$ 4,058	$ 6,128
1,755	3,294	5,344	2,692	3,509	1,569
••	370	780	••	478	533
$1,580	$ 3,103	$ 5,983	$2,263	$ 3,103	$ 1,585
$3,628	$ 5,179	$ 8,693	$3,785	$ 5,996	$ 6,884
($2,321)	($ 1,987)	($ 5,159)	($2,072)	($ 2,463)	($ 4,291)
••	••	••	••	••	••

Exhibit 17
Ratios to Total Sales* Location and Affiliation

	All Establishments	Location of Property				Affiliation	
		Center City	Suburban	Highway	All Other***	Chain Affiliated****	Independent
Annual Occupancy	51.4%	51.9%	54.5%	50.7%	51.0%	54.5%	50.6%
Annual Room Rate	$52.25	$65.05	$56.48	$48.49	$43.31	$56.48	$48.35
Revenue							
Rooms	69.3%	62.7%	75.6%	67.0%	72.3%	73.2%	69.3%
Food	24.2	25.4	20.9	**	**	22.8	**
Beverage	8.2	7.6	6.0	**	**	7.8	**
Other Food and Beverage	1.1	0.8	1.6	**	**	1.3	**
Telephone	2.8	2.5	3.1	**	2.8	3.0	2.6
Minor-Operated	1.9	**	**	**	**	1.5	**
Rentals and Other Income	1.1	1.0	1.7	**	0.5	1.5	1.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Department Expenses							
Rooms	18.5%	20.8%	17.5%	**	18.6%	18.5%	19.0%
Food and Beverage	30.4	36.8	25.2	**	**	29.9	**
Telephone	2.9	3.4	2.9	**	2.6	2.8	**
Minor-Operated	1.7	2.3	**	**	**	1.7	**
Total	46.7%	57.9%	35.0%	**	41.2%	47.5%	42.5%
Department Profit							
Rooms	49.0%	42.2%	55.8%	**	49.7%	48.9%	54.0%
Food and Beverage	2.5	0.7	4.4	**	**	3.0	**
Telephone	(0.1)	(0.4)	0.2	**	(0.3)	0.2	(0.3)
Minor-Operated	0.2	(0.1)	**	**	**	0.0	**
Rentals and Other Income	1.1	1.0	1.7	**	0.5	1.5	1.3
Total	53.3%	42.1%	65.0%	**	59.1%	52.5%	57.5%
Undistributed Operating Expenses							
Administrative and General							
Payroll and Related	2.6%	3.4%	2.5%	**	1.4%	2.8%	**
Other	4.8	6.3	4.4	**	4.4	5.9	5.3
Total	6.9%	8.4%	6.5%	**	5.6%	7.4%	6.7%
Marketing							
Payroll and Related	5.9%	6.1%	3.4%	**	6.5%	4.9%	6.5%
Other	7.0	6.9	5.0	**	7.5	6.1	7.5
Total	12.3%	12.5%	9.1%	**	14.0%	10.6%	12.1%
Energy Costs	6.2%	6.3%	5.9%	**	6.2%	5.9%	6.3%
Property Operations and Maintenance	6.3%	6.9%	5.6%	**	6.7%	6.3%	5.6%
Total Undistributed Operating Expenses	32.9%	33.7%	27.5%	**	35.2%	31.9%	32.3%
Income Before Management Fees	21.8	5.0	28.3	**	29.7	21.8	18.3
Management Fees (Base and Incentive)	3.5	3.4	**	**	3.4	3.5	**
Income Before Fixed Charges	21.8%	(0.5)%	31.2%	**	26.8%	21.8%	13.5%
Fixed Charges	39.9%	37.4%	36.2%	**	55.4%	37.4%	40.5%
Income Before Income Taxes	(21.1%)	(18.1%)	(17.5%)	**	(23.9%)	(21.1%)	(22.4%)
Reserve for Capital Replacement	**	**	**	**	**	**	**

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient Response.
***Includes Airport and Resort locations.
****Includes chain-managed, chain-owned, chain-francised and chain-leased properties.

Exhibit 18
Ratio to Total Sales* Occupancy, Rate, and Size

	Occupancy			Average Daily Rates			Size of Property		
	Less than 45.0%	45.0–59.9%	60.0% and Above	Less than $40.00	$40.00–$59.99	$60.00 and Above	Under 150 Rooms	150–299 Rooms	300 Rooms and Above
Annual Occupancy	36.9%	53.1%	70.1%	49.9%	50.4%	54.5%	50.7%	54.3%	48.2%
Annual Room Rate	$47.20	$52.86	$51.65	$32.09	$48.24	$65.58	$35.92	$48.66	$64.95
Revenues									
Rooms	67.9%	67.9%	89.8%	94.8%	68.3%	63.1%	93.7%	70.8%	58.0%
Food	25.3	19.7	**	**	21.9	25.3	**	18.6	24.7
Beverage	8.0	8.4	**	**	6.0	8.4	**	8.0	9.0
Other Food and Beverage	1.5	1.0	**	**	1.4	0.9	**	**	2.0
Telephone	2.8	2.5	3.5	3.9	2.6	2.9	2.6	2.8	2.8
Minor-Operated	2.2	6.7	**	**	12.3	2.1	**	4.5	**
Rentals and Other Income	1.3	0.9	1.4	1.8	0.8	1.0	1.1	1.4	0.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Department Expenses									
Rooms	19.0%	16.3%	21.9%	19.0%	16.8%	21.8%	19.0%	18.7%	16.7%
Food and Beverage	33.1	26.6	**	**	27.7	30.2	**	29.7	32.8
Telephone	3.8	2.7	2.6	3.4	2.8	2.9	2.9	2.9	2.8
Minor-Operated	0.9	1.7	**	**	1.4	1.4	**	0.9	1.4
Total	48.5%	44.0%	37.7%	24.9%	48.5%	48.2%	32.8%	41.6%	54.1%
Department Profit									
Rooms	48.9%	48.8%	59.9%	68.3%	48.9%	45.5%	66.3%	52.9%	39.6%
Food and Beverage	(0.8)	3.7	**	**	4.0	2.5	**	1.9	4.1
Telephone	(0.7)	0.0	(0.8)	(0.7)	(0.2)	0.0	(0.1)	0.0	(0.2)
Minor-Operated	0.0	0.2	**	**	0.4	(0.1)	**	2.4	(0.1)
Rentals and Other Income	1.3	0.9	1.4	1.8	0.8	1.0	1.1	1.4	0.8
Total	51.5%	56.0%	62.3%	75.1%	51.5%	51.8%	67.2%	58.5%	45.9%
Undistributed Operating Expenses									
Administrative and General									
Payroll and Related	3.6%	2.4%	**	**	2.1%	3.2%	**	2.1%	3.5%
Other	6.4	4.6	**	5.6	3.9	7.7	4.0	4.1	6.7
Total	9.0%	6.7%	6.4%	5.4%	6.1%	9.6%	4.1%	6.5%	9.8%
Marketing									
Payroll and Related	7.8%	4.8%	3.2%	9.1%	4.8%	4.9%	5.4%	6.1%	4.7%
Other	8.2	6.3	5.9	8.2	7.1	6.9	7.5	7.3	5.5
Total	16.3%	11.9%	9.1%	15.4%	12.7%	11.2%	11.8%	12.5%	12.5%
Energy Costs	7.1%	6.2%	5.8%	6.7%	6.3%	5.7%	6.4%	6.0%	5.6%
Property Operations and Maintenance	8.7%	5.9%	5.0%	7.5%	6.3%	5.6%	6.9%	5.8%	7.2%
Total Undistributed Operating Expenses	40.3%	31.3%	24.1%	35.2%	30.7%	31.2%	33.2%	31.3%	33.7%
Income Before Management Fees	8.8	23.5	38.2	28.5	21.8	18.0	25.4	27.7	11.1
Management Fees (Base and Incentive)	3.3	3.4	**	**	3.4	4.3	**	3.6	2.8
Income Before Fixed Charges	8.8%	22.6%	36.8%	27.2%	21.8%	17.4%	25.4%	26.5%	9.5%
Fixed Charges	62.5%	37.7%	39.3%	47.3%	39.9%	40.7%	42.7%	45.4%	36.8%
Income Before Income Taxes	(58.8%)	(15.4%)	(4.8%)	(23.7%)	(17.1%)	(21.3%)	(22.1%)	(19.3%)	(21.3%)
Reserve for Capital Replacement	**	**	**	**	**	**	**	**	**

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient Response.

Exhibit 19
1986 Texas Trend Summary*

	Occupancy		Room Sales per Occupied Room	
	1986	1985	1986	1985
[1]Dallas—Fort Worth				
Total	57.8%	62.0%	$59.94	$59.00
Center City	48.3	54.5	$73.47	$69.31
Stemmons/Mkt Center	61.9	63.5	70.43	69.04
Airport/DFW	61.2	71.9	43.42	42.82
N. Central Expressway	55.9	62.0	48.71	49.54
North Dallas	59.6	62.6	55.69	56.10
East Dallas	63.4	70.3	37.08	36.67
Arlington	64.7	67.3	41.95	43.49
Fort Worth-CBD	62.2	66.4	43.43	45.19
[2]Gulf Coast				
Total	52.1%	54.1%	$51.51	$52.32
Baton Rouge	57.6%	58.7%	$42.92	$46.16
Lafayette	42.2	47.5	35.65	36.80
New Orleans	56.5	53.5	66.75	67.50
Other Louisiana	44.4	46.1	39.25	41.58
Austin	63.7	69.8	44.57	45.35
Golden Triangle	53.0	49.8	30.10	32.56
Rio Grande Valley	52.7	57.3	36.85	37.41
Bryan/College Station	48.0	53.8	35.93	37.63
Corpus Christi	49.7	53.8	44.54	46.35
Laredo	60.6	64.2	40.98	40.95
Other Texas	57.6	56.5	34.28	33.14
[3]Houston				
Total	46.1%	48.9%	$52.00	$53.87
Center City	48.9%	50.8%	$63.83	$67.46
South	39.9	45.4	47.19	50.05
S.W. Freeway	48.6	53.1	49.00	50.47
North	49.0	50.0	47.75	47.66
Katy	45.5	49.9	41.98	42.42
Ship Chi/Gulf Frwy	49.4	50.6	43.51	45.81
East	49.6	51.2	37.92	40.03
Galveston	49.3	49.8	43.99	46.02
Northwest	50.0	55.6	44.57	46.39
Galleria/Grnwy Pl	39.9	42.7	66.84	69.42
[4]San Antonio				
Total	61.8%	66.5%	$45.78	$45.63
Center City/Alamo	66.1%	68.2%	$48.24	$47.94
North/Airport	65.4	73.7	51.53	51.81
Northeast	55.5	64.9	35.69	35.44
Northwest	57.2	59.9	42.95	43.19

*All numbers are means.
[1]Source: *Dallas-Fort Worth Trend of Business in the Lodging Industry*, December, 1986.
[2]Source: *Gulf Coast Trend of Business in the Lodging Industry*, December, 1986.
[3]Source: *Houston Trend of Business in the Lodging Industry*, December, 1986.
[4]Source: *San Antonio Trend of Business in the Lodging Industry*, December, 1986.

Chart 1
Technological Characteristics—
Property Automation

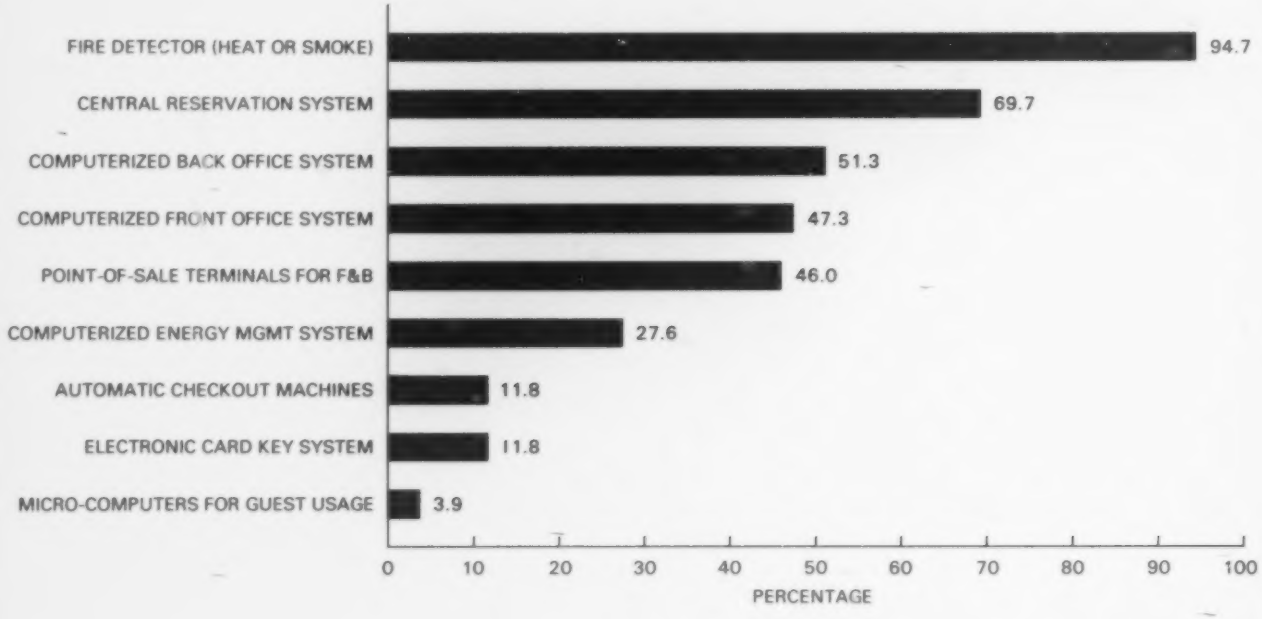


Chart 2
Technological Characteristics—
Telephone Services

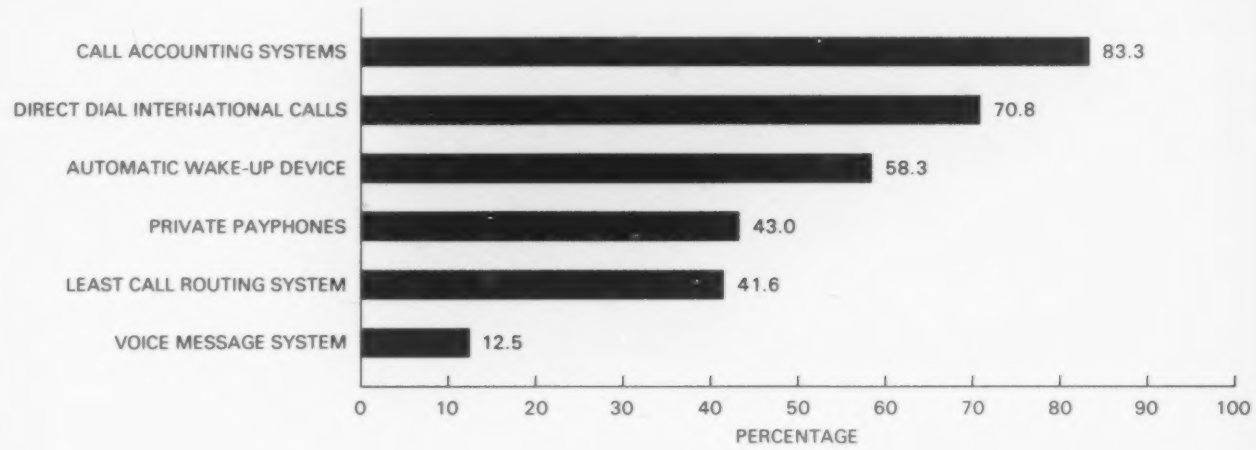


Chart 3
Technological Characteristics—
In-Room Entertainment Systems

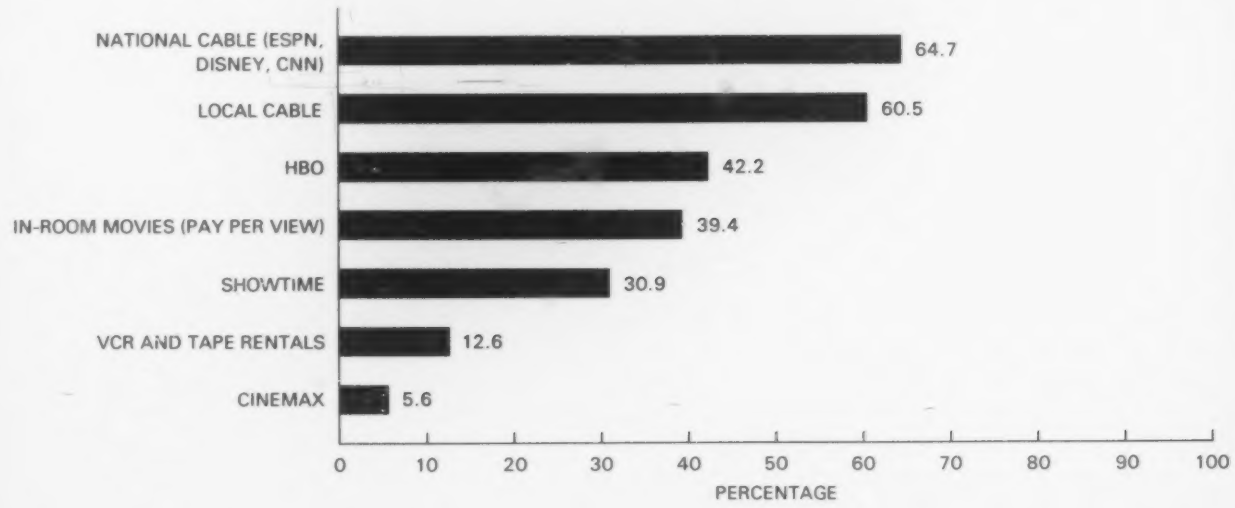
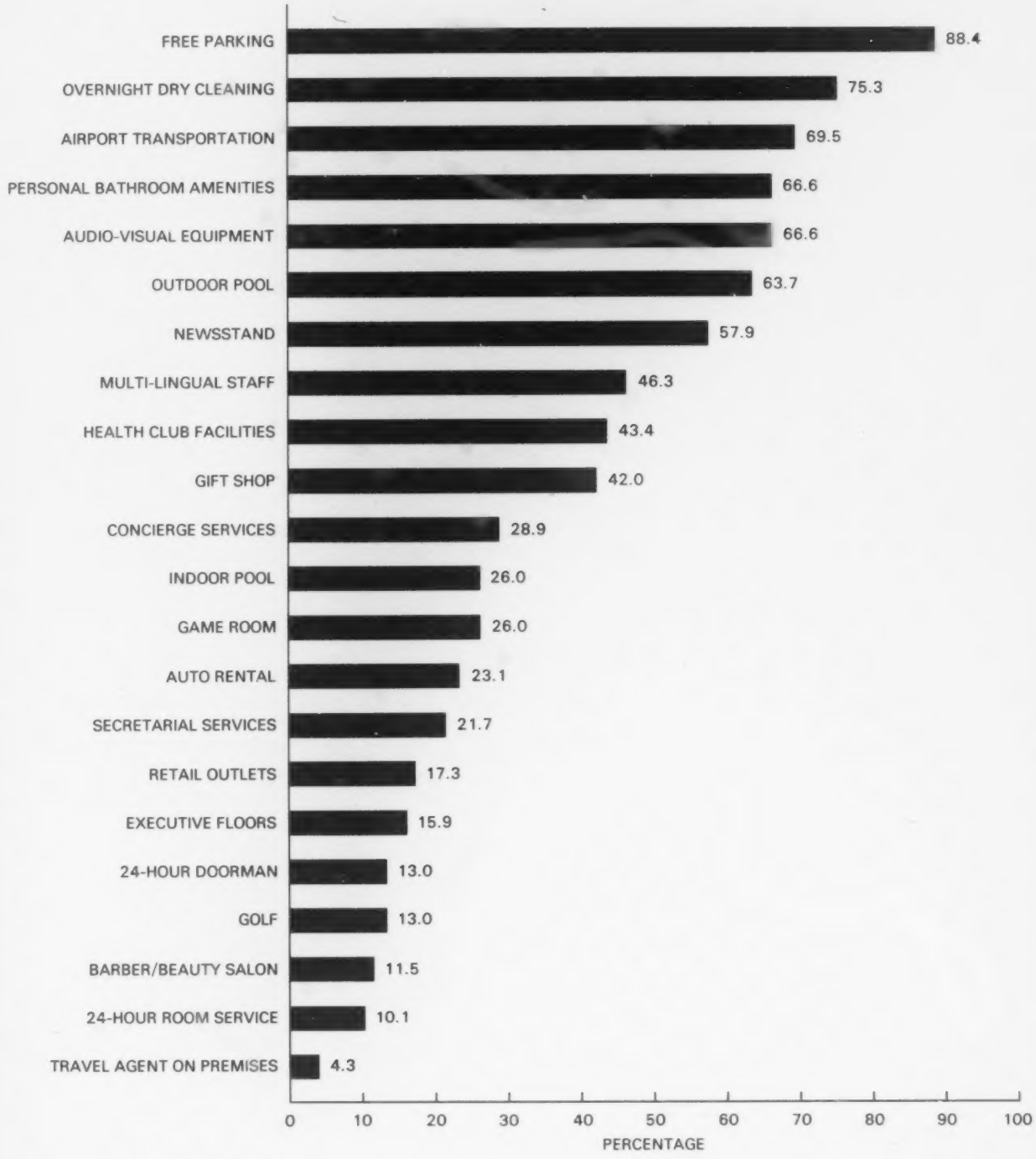


Chart 4
Guest Services



APPENDIX—UNDERSTANDING MEDIANS & MEANS

The annual studies written by the Research Division of Laventhol & Horwath utilize medians for the majority of their reported results. This article will give an in-depth explanation on medians and quartiles, as well as briefly discuss means, along with practical uses of both.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full-time employees—8,4,2,6,9,7,5,1,3; these numbers would be arranged sequentially—1,2,3,4,5,6,7,8,9 and the middle value "5" would be the median since 50 percent of the responses received are below the value and 50 percent are above.

In conjunction with medians, lower and upper quartiles are used to give a further description to the sample results. Occasionally, we use means to report data, but we believe the median is the most appropriate method to report our results. This is because the median gives less biased results. Medians keep results from being skewed by one or two respondents. For example, if a few responding hotels incurred large operating losses, these losses would be divided evenly among all hotels in the sample (when using mean calculations); and bring down the average net profit of the entire group, which for the most part may have had respectable profits.

Quartiles divide the responses into four equal parts, with the median still being the middle value. The *lower quartile* is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the *upper quartile* defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific item and the responses (conveniently) were numbered 1 through 99, the median (or middle value) would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25), and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles. (See chart below.)

While reading this report, it should become evident that columns do not total when medians are involved. The reason behind this is EACH LINE ITEM IS ANALYZED SEPARATELY! In Table I when all amounts are arranged sequentially, the median amount per room for total revenue is $22,405. This figure is based on the 60 properties that gave us information for this specific line item.

Theoretically, if each property reported each line item, and one property happened to have the median value for each type of revenue, then the medians would total. But since not every property has a food and beverage operation, or a minor department, the sample size changes for each line item. Different sample sizes is one reason why figures do not add to the totals shown.

There is another major reason that columns do not total. When using medians, it is important to remember that the median food sales, the median beverage sales and the median total sales figures reported probably represent the results for three separate properties, even though the sample size of each may be equal. This also holds true for lower and upper quartile figures.

The terms mean, average, and arithmetic mean are all synonymous. A mean is calculated by summing the results and dividing by the number of responses. In Table II, the sum of the number of restaurant seats is 1,940. Divide this by the nine respondents and the mean (average) is 216 seats per restaurant. By comparison, the median number of seats is 140. It is obvious that the average is skewed by the two restaurants with 500 and 600 seats.

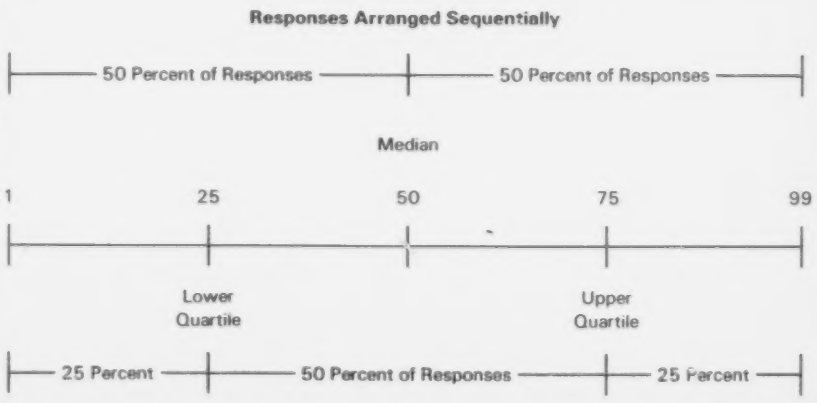


Table I

	Amount Per Suite		
	Lower Quartile	Median	Upper Quartile
Revenues			
Rooms	$13,587	$18,098	$24,130
Food	1,038	3,664	6,564
Beverage	251	1,300	3,147
Other Food & Beverage	95	180	396
Telephone	429	668	881
Minor-Operated	104	389	1,073
Rentals & Other Income	100	250	525
Total	$14,729	$22,405	$30,548

Table II
Restaurant Seating

Hotel Restaurant	Number of Seats	Average Daily Seat Turnover	Number Seats Occupied Daily (Column 1 × Column 2)
1	60	3.80	228
2	80	4.20	336
3	100	3.70	370
4	120	2.90	348
5	140	2.00	280
6	160	1.70	272
7	180	1.90	342
8	500	1.20	600
9	600	1.00	600
Total	1,940	22.40	3,376
Median	140	2.00	342[1]
Average (rounded)	216	2.49	538

[1]The median number of seats occupied daily is 342 (the middle value of column 3). Notice that this is not equal to the product of the median number of seats multiplied by the median average daily seat turnover, which is 280. It is incorrect to use medians in calculations, such as addition or multiplication.

Table II shows a group of hotels that provided information on the number of restaurant seats available. They also provided the number of guests served, so the average daily seat turnover was calculated. The average number of seats for this sample is approximately 216 (1,940 divided by 9) and the median number of seats is 140 (the middle value of all respondents when responses are arranged sequentially). The average seat turnover is 2.49 and the median is 2.00. With this information, the mean and median for the number of seats occupied daily can be calculated.

- The median number of seats occupied daily is 342 (the middle value of column 3).
- To compute the average number of seats occupied per day, multiply the average number of seats per restaurant of 216 by the average daily seat turnover of 2.49. This gives the average daily seat turnover of approximately 538. The mean number of seats is greatly influenced by the two large properties with 500 and 600 seats.

As shown, median and means both have their uses, with medians not being affected by one or two responses that vary significantly from the rest of the sample. This is the main reason the majority of our studies report the data as medians.

**The number used for sample sizes are representative and are not actual sample sizes.*

EXPLANATION OF TERMS

Room sales

Guest room revenue generated from accommodations on a part-day occupancy, full-day or longer period basis, net of any rebates and discounts. Also included are charges for maid or linen services.

Rentals and Other Income

Income from vending machine concessions and commissions, public telephone commissions, merchandise sales of postcards, souvenirs and newspapers, commissions on guest laundry, valet, meeting room rentals and all other income not included elsewhere.

Payroll and Related Expenses—Rooms Department

The salaries and wages of departmental personnel and management including: overtime, holiday and vacation pay. Also included are employee benefits and payroll taxes such as Federal, state, social security and workmen's compensation.

Payroll and Related Expenses—Administrative and General

Salaries and wages for the resident manager or managing director, secretaries, reception clerks and bookkeepers.

Undistributed Operating Expenses—Administrative and General

Expenses incurred from bad debts, credit cards commissions, data processing services, general insurance, licenses and dues, operating supplies, professional fees, security services, travel and entertainment and other related miscellaneous expenses.

Marketing

Advertising, publicity, franchise fees and other promotional expenses such as printing newspaper, magazine and billboard space and broadcasting time.

Energy

The costs of fuel, electrical current and water.

Payroll and Related Expenses—Property Operation and Maintenance

Payroll and related expenses related with the repair and maintenance of the building, furniture and fixtures and equipment, in addition to all other expenses necessary to keep the property in operating condition.

Property Operation and Maintenance

The cost of materials used in repairing equipment, the exterior and interior of the building (floors, walls, doors, furniture), grounds and landscaping, painting and decorating, the removal of waste matter and other related expenses necessary for the upkeep of the lodging facility.

Management Fees

Fees charged by a management organization for management service or supervision should be charged to the account.

Income Before Fixed Charges

Income before fixed charges is defined as total departmental revenue from all sources (rooms, minor departments, rentals and other income, and telephone) less all departmental and undistributed operating expenses. This is the income from all operations before deducting rent, property taxes, property insurance, interest, depreciation and income taxes.

PROPERTY ANALYSIS WORKSHEET

This worksheet will provide a quick analysis of how your property is performing in comparison to the industry.

Worksheet

(Use medians from exhibits)

Amount Per Available Room	Your Property	Comparison 1	Comparison 2
Average Annual Occupancy			
Average Annual Room Rate			
Revenues			
Rooms			
Food			
Beverage			
Other Food & Beverage			
Telephone			
Minor-Operated			
Rentals & Other			
Total			
Department Expenses			
Rooms			
Food & Beverage			
Telephone			
Minor-Operated			
Total			
Department Profit			
Rooms			
Food & Beverage			
Telephone			
Minor-Operated			
Rentals & Other			
Total			
Undistributed Expenses			
Administrative & General			
Payroll & Related			
Other			
Total			
Marketing			
Payroll & Related			
Other			
Total			
Energy			
Property Operations & Maintenance			
Total Undistributed Expenses			
Income Before Management Fees			
Management Fees (Base & Incentive)			
Income Before Fixed Charges			
Fixed Charges			
Income Before Income Taxes			
Reserve for Capital Replacement			

LEISURE TIME INDUSTRY CONTACTS

Laventhol & Horwath has, since its inception, specialized in providing sophisticated advisory services to all facets of the lodging industry. The Leisure Time Advisory Services practice is the largest of its kind in the country in terms of fee volume, professional staff, geographic diversification and service capability. L&H routinely serves as adviser to the nation's most prominent hotels, developers, financiers, syndicators and industrial corporations on methods used in developing, financing, managing, operating and marketing lodging properties.

The following list contains the services that L&H provides to the lodging industry as well as the contact person:

National Contacts

AREA OF SPECIALIZATION	OFFICE	CONTACT
National Leisure Time Partner	Los Angeles	Saul F. Leonard
National Director, Leisure Time Industry Consulting	Executive Offices	Thomas W. Lattin
Organizational Consulting	Chicago, IL	Edwin T. Crego & Edward A. Kazemek
Systems and Technology	Executive Offices	George K. Van Ness
Index Design Group—Hotel Design	Houston, TX	Doyle R. Wayman
Leisure Time Research	Executive Offices	Mark V. Lomanno
Information Retrieval	Executive Offices	Marjorie Hill

Local Contacts

OFFICE	PRACTICE LEADER	OFFICE	PRACTICE LEADER
Atlanta, GA	R. Mark Woodworth	Miami, FL	M. Chase Burritt
Boston, MA	Peter Keim	Minneapolis, MN	Stephen Sherf
Charlotte, NC	Geoffrey Kirkland	New York, NY	Bjorn Hanson
Chicago, IL	Richard Conti	Palm Beach, FL	John Johnson
Cleveland, OH	Steven Zamborsky	Philadelphia, PA	Peter Tyson
Costa Mesa, CA	David Kinkade	Phoenix, AZ	Richard Warnick
Dallas, TX	**John R. Weeman**	San Diego, CA	Bruce Goodwin
Denver, CO	John Montgomery	San Francisco, CA	Jay Scott
Detroit, MI	Charles Skelton	Seattle, WA	Andrew Olsen
Houston, TX	**Richard Swope**	St. Louis, MO	Richard Niedbala
Kansas City, MO	Jeffrey Marvel	Tampa, FL	Charles Ross
Las Vegas, NV	Ralph Piercy	Washington, DC (Rockville, MD)	Wesley Ayre
Los Angeles, CA	Britt Colbert		

The directory of Laventhol & Horwath's offices is on pages 33 and 34.

Laventhol & Horwath

Executive Offices: 1845 Walnut Street, Philadelphia, PA 19103
215-299-1600 Telex: 83-1396 HORWINTAS PHA

Alaska
730 I St.
Anchorage, AK 99501
907-276-5811

Arizona
3200 N. Central Ave., 16th Floor
Phoenix, AZ 85012
602-234-0900

5151 E. Broadway, Suite 1200
Tucson, AZ 85711
602-790-2255

California
650 Town Center Dr., Suite 1100
Costa Mesa, CA 92626
714-556-4244

3699 Wilshire Blvd.
Los Angeles, CA 90010-2726
213-381-5393
Telex: 4992753 HORWINTAS LSA

Two Century Plaza, Suite 3700
2049 Century Park East
Los Angeles, CA 90067
213-553-1040
Telex: 696374

P.O. Box 121525
101 W. Broadway, Suite 1300
San Diego, CA 92101
619-236-1000

425 Market St., Suite 3600
San Francisco, CA 94105
415-896-1800
Telex: 384061

Colorado
370-17th St., Suite 2100
Denver, CO 80202
303-595-4000
Telex: 45-0934

Connecticut
Park City Plaza
10 Middle St.
Bridgeport, CT 06604
203-333-5133

District of Columbia
1101-17th St. N.W., Suite 1200
Washington, D.C. 20036
202-296-2250
Telex: 62100620

National Tax Services Group
1101-17th St. N.W., Suite 704
Washington, D.C. 20036
202-463-0700

Florida
201 Alhambra Circle
Coral Gables, FL 33134
305-442-2000
Telex: 264822 LH MIA UR

500 E. Broward Boulevard
Suite 1400
Ft. Lauderdale, FL 33394-3089
305-760-9000

Ashley Tower
100 S. Ashley Dr., Suite 1500
Tampa, FL 33602
813-228-7555

1645 Palm Beach Lakes Blvd., Suite 1100
West Palm Beach, FL 33401
305-689-5600

Georgia
225 Peachtree St., N.E.
Suite 2100, South Tower
Atlanta, GA 30303
404-581-0100

Illinois
P.O. Box 2618
1116 W. Main St.
Carbondale, IL 62902-2618
618-457-8158

300 S. Riverside Plaza
Chicago, IL 60606
312-648-0555

40 Skokie Blvd., Suite 500
Northbrook, IL 60062
312-498-3400

Marriott Commerce Bldg.
509 S. Sixth St.
Springfield, IL 62701
217-544-8955

Indiana
One American Square
Box 82051, Suite 2210
Indianapolis, IN 46282
317-631-0700

Maryland
Investment Building
One Investment Place
Baltimore, MD 21204-4172
301-821-8300

Massachusetts
Two Center Plaza
Boston, MA 02108
617-742-6100
Telex: 940899 LAV HOR BSN

Michigan
3000 Prudential Town Center
Suite 3200
Southfield, MI 48075-1358
313-354-5000

Minnesota
100 Washington Square, Suite 1650
Minneapolis, MN 55401
612-332-5500

Missouri
Commerce Bank Building
Suite 1000
1000 Walnut Street
Kansas City, MO 64106
816-221-6500
Telex: 750189 LAVENTHOL UD

Ten Broadway, Suite 1000
St. Louis, MO 63102
314-421-1710

Nevada
Valley Bank Plaza, 14th Floor
300 South 4th Street
Las Vegas, NV 89101
702-384-1120

New Jersey
Turnpike Plaza Bldg.
P.O. Box 11
197 Highway 18
East Brunswick, NJ 08816
201-257-6000

New York
445 Broad Hollow Rd.
Melville, L.I., NY 11747
516-694-0530

919 Third Ave.
New York, NY 10022
212-980-3100
Telex: 236501 LNH UR

1776 Broadway
New York, NY 10019
212-586-6015
Telex: 640279

North Carolina
One NCNB Plaza, Suite 3500
Charlotte, NC 28280
704-377-0220

Ohio
National City Center
1900 E. 9th St.
Cleveland, OH 44114
216-696-4770

Capitol Square
65 E. State St., Suite 902
Columbus, OH 43215
614-221-9494

8256 E. Market St., Suite 127
Warren, OH 44484
216-856-2134

Oregon
111 S.W. Fifth Ave., Suite 1800
Portland, OR 97204
503-221-0141

Pennsylvania
P.O. Box 1865
Harrisburg, PA 17105
717-761-7171

1845 Walnut St.
Philadelphia, PA 19103
215-299-1700
Telex: 83-1396 HORWINTAS PHA

15 S. Franklin St.
Wilkes-Barre, PA 18701
717-822-1174

Puerto Rico
1701 Banco Popular Center
Hato Rey, PR 00918
809-765-5580

Rhode Island
One Hospital Trust Plaza, 7th Floor
Providence, RI 02903
401-421-4800

Texas
2121 San Jacinto St., Suite 1700
Dallas, TX 75201
214-754-7100
Telex: 730903 HORWINTAS DAL

333 Clay St., Suite 1100
Houston, TX 77002
713-658-1071
Telex: 312061 HORWINTAS HOU

Washington
1430 Skyline Tower
10900 Northeast 4th St.
Bellevue, WA 98004
206-462-9300

2100 Columbia Center
701 Fifth Ave.
Seattle, WA 98104
206-621-1900

DIVISIONS

RETIREMENT & EMPLOYEE
BENEFIT CONSULTING ASSOCIATES

Two Center Plaza
Boston, MA 02108
617-742-6100
Telex: 940899 LAV HOR BSN

300 S. Riverside Plaza
Chicago, IL 60606
312-930-0002

400 Park Ave.
New York, NY 10022
212-421-9710

919 Third Ave.
New York, NY 10022
212-980-3100
Telex: 236501 LNH UR

1845 Walnut St.
Suite 1400
Phila., PA 19103
215-563-9930

1710 E. Indian School Rd.
Suite 201
Phoenix, AZ 85016
602-277-2371

1099 Wall Street West
Lyndhurst, N.J. 07071
201-896-9616

CONSTRUCTION CONSULTING
DIVISION

Levien, Rich & Company
305 East 46th Street, 16th Floor
New York, NY 10017
212-832-0450

BUSINESS MANAGEMENT

Two Century Plaza, Suite 3700
2049 Century Park East
Los Angeles, CA 90067
213-553-1040
Telex: 696374

1776 Broadway
New York, NY 10019
212-586-6015
Telex: 640279

SUBSIDIARIES

General Systems Company, Inc.
Turnpike Plaza Bldg.
197 Highway 18
East Brunswick, NJ 08816
201-545-3600

Valuation Counselors, Inc.

340 Interstate North Pkwy.
Suite 440
Atlanta, GA 30339
404-955-0088

One Center Plaza
Boston, MA 02108
617-742-6766

230 W. Monroe St.
Chicago, IL 60606
312-368-0200
312-368-0900

National City Center
1900 East 9th St.
Cleveland, OH 44114
216-696-7326

2121 San Jacinto St.
Suite 1700
Dallas, TX 75201
214-953-0915

370 - 17th St., Suite 2100
Denver, CO 80202
303-595-4414

2000 West Loop South
Suite 1365
Houston, TX 77027
713-877-0200

2 Century Plaza
2049 Century Park East
Suite 3760
Los Angeles, CA 90067
213-553-1515

919 Third Ave.
New York, NY 10022
212-888-7722

Princeton Pike Office Park
CN 30
Princeton, NJ 08540
609-896-0300

Park 270 Building I, Suite 202
1807 Park 270 Dr.
St. Louis, MO 63146
314-576-0035

One Metropolitan Plaza
425 Market St.
San Francisco, CA 94105
415-974-5382

HORWATH & HORWATH INTERNATIONAL

Headquarters: 919 Third Avenue, New York, NY 10022
212-980-3100 Telex: 236501 LNH UR
(Partner and correspondent firms in these countries)

Andorra
Argentina
Australia
Austria
Bahamas
Belgium
Bermuda
Bolivia
Brazil
Canada
Cayman Islands
Channel Islands
Chile
Colombia
Costa Rica
Cyprus
Denmark
Dominican Republic
Egypt
Ethiopia
Fiji
Finland
France
Germany
Greece
Guatemala
Haiti
Hong Kong
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Korea
Luxembourg
Malaysia
Mexico
Monaco
Morocco
Nepal
Netherlands
New Zealand
Nigeria
Norway
Pakistan
Panama
Peru
Portugal
Singapore
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Syria
Taiwan
Thailand
Turkey
United Kingdom
Uruguay
Venezuela
Zimbabwe

How L&H research can give you an unfair advantage.

In today's competitive business environment, you need all the reliable information you can get.

Internationally known, L&H research in leisure time and other industries focuses on important issues with accuracy and [illegible]—and can provide immediate benefits to its subscribers.

During 1987, we will release the latest in a continuing series of special reports. Each one is thoroughly researched by a team of seasoned professionals, and contains facts and figures that would be extremely difficult and unrealistically expensive for you to obtain for yourself.

There is absolutely no substitute for this kind of authoritative research information. We have, after all, been providing quality research in this field since 1921.

Below you will find a list of the reports we will publish this year. As you see, you can save money by ordering any publication for three years instead of one.

To order your L&H publications and get your unfair advantage, please fill in and return the coupon below to: Laventhol & Horwath, Publications Department, 1845 Walnut Street, Philadelphia, PA 19103.

Laventhol & Horwath
Leisure Time Industries Department

Publications Dept., 1845 Walnut St., Philadelphia, PA 19103

Please send me the L&H special reports for the time period I have circled.

No need to enclose a check. We'll bill you later.

Name _____ **Title** _____

Company _____ **Phone** (____) _____

Address _____

City _____ **State** _____ **Zip** _____

Report	Cost 1 Year	Cost 3 Years	Publication Date in 1987
A. U.S. Lodging Industry	$65	$150	August
B. Worldwide Hotel Industry	65	150	August
C. U.S. Economy/Limited-Service Lodging Industry	65	150	September
D. U.S. Resort Lodging Industry	50	120	September
E. All-Suite Lodging Industry	65	150	September
F. Texas Lodging Industry	50	120	September
G. Florida Lodging Industry	50	120	September
H. California Lodging Industry	50	120	September
I. California Restaurant Operations	50	120	September
J. The Industry Study 1987 (The Retirement Housing Industry)	90	220	November
K. Nursing Home Industry	80	200	November
L. Gaming Industry Financial Results	50	120	August

Printed in U.S.A.